

## Message Text

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ORIGIN NEA-03

INFO OCT-01 ISO-00 /004 R

66011

DRAFTED BY NEA/ARP:COCECIL::CEJ

APPROVED BY NEA/ARP:FMDICKMAN

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R 272037Z JAN 76

FM SECSTATE WASHDC

TO AMCONSUL DHAHRAN

C O N F I D E N T I A L STATE 012469

FOL RPT STATE 012469 ACTION JIDDA INFO ABU DHABI ALGIERS

AMMAN BAGHDAD BEIRUT CAIRO DAMASCUS DOHA KHARTOUM KUWAIT

MANAMA MOGADISCIO MUSCAT NOUAKCHOTT RABAT SANA TRIPOLI TUNIS

17 JAN.

QUOTE

C O N F I D E N T I A L STATE 012469

E.O. 11652: GDS

TAGS: EFIN, ETRD

SUBJECT: NY AND FEDERAL ANTI-BOYCOTT ACTIONS

REFS: (A) JIDDA 155, (B) STATE 295052, (C) STATE 297810,

(D) STATE 297811, (E) STATE 299552

1. BANK OF AMERICA'S STORY (REF A) APPEARS MISTAKEN IN  
SEVERAL RESPECTS. FIRST, CLEARING HOUSE BANKS IN NY HAVE  
NOT, TO OUR KNOWLEDGE, DECIDED TO QUOTE IGNORE UNQUOTE  
NY LAW. WE UNDERSTOOD BANKS HAD DECIDED TO ACT ON ASSUMP-  
TION NY LAW IS PURELY ANTI-DISCRIMINATORY MEASURE (REF. B  
PARAS 2-4); INTERPRETING THE LAW NARROWLY IS, HOWEVER, VERY  
DIFFERENT FROM IGNORING IT. NEVERTHELESS, BECAUSE OF  
UNCERTAINTY CREATED BY FEDERAL RESERVE BANK ACTION (REFS  
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C,D), SEVERAL NEW YORK BANKS ARE REPORTEDLY ACTING VERY

CAUTIOUSLY; SOME ARE SITTING ON L/C'S, OTHERS REFERRING INDIVIDUAL L/C'S TO LEGAL COUNSEL BEFORE PROCESSING THEM. NO DISCERNIBLE PATTERN OF BANK POLICY OR PRACTICE HAS YET APPEARED.

2. SECOND, THERE IS NO FEDERAL STATUTE SUCH AS THE ONE DESCRIBED REF A. BANK OF AMERICA OFFICIALS MAY HAVE BEEN THINKING ABOUT EXPORT ADMINISTRATION REGULATIONS, ISSUED BY COMMERCE DEPT NOVEMBDR 20 PURSUANT TO THE PRESIDENT'S DIRECTIVE OF THE SAME DATE AND UNDER POWERS GRANTED BY THE

EXPORT ADMINISTRATION ACT OF 1969. THESE REGULATIONS DISTINGUISH BETWEEN DISCRIMINATORY BOYCOTT REQUESTS ADDRESSED TO EXPORTERS, WHICH THE REGULATIONS FORBID EXPORTERS TO COMPLY WITH, AND POLITICAL BOYCOTT REQUESTS, WHICH THE REGULATIONS URGE BUT DO NOT REQUIRE EXPORTERS NOT TO COMPLY WITH. FRB IS CONSIDERING ISSUING A CLARIFICATION OF ITS DECEMBER 12 LETTER, WHICH, AS EXPLAINED REF C, DOES NOT HAVE FORCE OF LAW, TO MAKE IT CONFORM TO THE SCHEME OF COMMERCE DEPT REGULATIONS OF NOVEMBER 20; I.E. TO PROHIBIT BANKS INVOLVING THEMSELVES IN DISCRIMINATORY TRANSACTIONS WHILE STRONGLY EXHORTING THEM NOT TO PARTICIPATE IN TRANSACTIONS THAT SUPPORT THE POLITICAL BOYCOTT. NY BANKING OFFICIALS HAVE MET WITH FRB STAFF TO DISCUSS SCOPE OF DECEMBDR 12 LETTER AND SOLICIT CLARIFYING COMMUNICATION ALONG ABOVE LINES.

3. BANK OF AMERICA OFFICIALS MIGHT ALSO HAVE HAD IN MIND THE STEVENSON-WILLIAMS BILL AMENDING THE EXPORT ADMINISTRATION ACT OF 1969 (PARA 2, REF E). THIS BILL WAS RE-PORTED OUT OF THE SENATE BANKING COMMITTEE ON DECEMBER U ALTHOUGH NEITHER THE HOUSE NOR SENATE HAS YET CONSIDERED IT AND, OF COURSE, IT IS NOT LAW. BRIEFLY, THE BILL WOULD ENACT INTO LAW, AS PART OF THE EXPORTHADMINISTRATION ACT, THE REQUIREMENTS AND PROHIBITIONS SET FORTH IN THE COMMERCE DEPT'S REGULATIONS OF NOVEMBER 20. IN ADDITION, THE BILL WOULD REQUIRE PUBLIC DISCLOSURE OF BOYCOTT REPORTS AND COMMERCE DEPT WARNING LETTERS; PROHIBIT U.S. FIRMS FROM REFUSING TO DEAL WITH OTHER U.S. BUSINESSES PURSUANT TO A BOYCOTT REQUEST; RAISE THE MAXIMUM FINE FOR

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VIOLATIONS FROM DOLS 1000 TO DOLS 10,000; AND WOULD STATE EXPRESSLY THAT THE ACT APPLIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS. THIS BILL, HOWEVER, WOULD NOT HAVE THE EFFECTS ATTRIBUTED TO IT BY BANK OF AMERICA OFFICIALS.  
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UNQUOTE KISSINGER

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BOYCOTTS, BUSINESS FIRMS, BANKS, BANK LAW  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 27 JAN 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** SmithRJ  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976STATE012469  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** COCECIL::CEJ  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** 1  
**Film Number:** D760019-0320  
**From:** STATE  
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**Line Count:** 114  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 JIDDA 155, 76 STATE 295052, 76 STATE 297810  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** SmithRJ  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 03 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <03 JUN 2004 by buchant0>; APPROVED <28 SEP 2004 by SmithRJ>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** NY AND FEDERAL ANTI-BOYCOTT ACTIONS  
**TAGS:** EFIN, ETRD, PFOR, XF  
**To:** JIDDA  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006